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OFFICE OF THE  
**Auditor General**  
of British Columbia

**Strategic Direction  
and Funding Proposal**

**February 2001**

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The Honourable Bill Hartley  
Speaker of the Legislative Assembly  
Province of British Columbia  
Parliament Buildings  
Victoria, British Columbia  
V8V 1X4

Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my Report on Strategic Direction and Funding Proposal, February 2001. In my Report, I set out matters of primary importance to Members of the Legislative Assembly.

*Wayne Strelloff*

Wayne Strelloff, CA  
Auditor General

Victoria, British Columbia  
February 2001

copy: Mr. E. George MacMinn, Q.C.  
Clerk of the Legislative Assembly





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Members of the Legislative Assembly  
Province of British Columbia  
Parliament Buildings  
Victoria, British Columbia  
V8V 1X4

Dear Members,

In this report, I describe my new priorities and increased funding requirement for the Office of the Auditor General. I ask all Members of the Legislative Assembly to support this proposal.

My new priorities are intended to help legislators meet the increasing demands of BC citizens for improved management and accountability from their government. I ask Members to support an increase of \$1.3 million to the appropriation provided to my Office for the year 2001-02.

*Wayne Strelloff*

Wayne Strelloff, CA  
Auditor General

February 2001



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# Strategic direction and funding proposal

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## New Auditor General

In this report, I set out my strategic direction for the Office of the Auditor General, including my key priorities. I am requesting increased funding for our work. I ask all Members of the Legislative Assembly to support my priorities and request.

## Changing Expectations

Our elected representatives face growing and changing public expectations for increased emphasis on accountability and transparency in the way public business is conducted.

Public expectations are high that government management and accountability practices will strengthen and that our system of government will provide a more meaningful opportunity for legislators (and BC citizens) to participate in government decision making. Meeting these expectations is important to ensure people's trust and confidence in our institutions of government.

Traditionally, governments were expected to provide reliable information about how public monies are raised and how they are spent. The emphasis was on demonstrating that governments comply with the authority provided by the Legislative Assembly.

Citizens today, however, expect more from their governments. They demand governments demonstrate they are managing the financial affairs of the province with prudence as well as integrity by providing information on key financial indicators of performance. People also expect governments to demonstrate they are spending public money wisely—that value is achieved for the money spent on programs and services. They also want to be assured that government is conducting public business in accordance with public standards of conduct.

Elected representatives in British Columbia have shown they are aware of the increased demands placed on them by citizens and they have indicated a need and willingness to meet these demands.

Enacting the Budget Transparency and Accountability Act is one important step taken by legislators to address these demands and to address their responsibilities. This Act holds much promise for meeting public expectations for accountability and transparency and sets the stage for significant change. The Act contains rigorous new demands on government that can lead to stronger management and accountability practices and to improved governance through more meaningful discussion of plans, priorities and alternatives.

But, as an experienced Auditor General, I know much work is required by many to deliver on the promises set out in the Act and to ensure expectations turn into reality. New demands will be placed on my Office and we must prepare to meet the challenge.

A Commissioner of Environment and Sustainability will soon be established in my Office. This action is in response to public expectations that government recognize the importance of the environment and sustainability and provide credible information on its performance in these matters to legislators and to the citizens of BC.

While the public's expectations of legislators, government and my Office have increased in many areas, demonstrating the province manages its financial affairs with prudence and integrity remain fundamental to people's trust and confidence in our institutions of government. This aspect of performance is more challenging than ever. The size and complexity of government has increased in recent years and the number of entities that constitute the provincial government continues to grow. In addition, risks increase as systems and processes become more complex at a time when pressure on scarce resources continues to escalate.

My Office must rise to this challenge. Elected representatives, more than ever, need the independent information, assurances and advice my Office provides to assist them in meeting their responsibilities. I ask legislators to support my plan to reshape the priorities of my Office and my request for increased funding.

## Refocusing

Since assuming my responsibilities as Auditor General on May 2, 2000, I have taken several steps to realize my priorities while continuing the solid and important work already undertaken by my Office.

I have reorganized my Office to focus more directly on key sectors of government. Staff are now able to focus their work more directly on the accountability and risk management challenges faced by each sector. Our five sector groups are health, education, protection of persons, natural resources and finance. We are now developing our work programs for the next three years based on this sector focus.

Our reorganization will allow us to develop our competencies and expertise concerning key government programs, to examine complex information systems, to assess management control over large infrastructure projects, and to use best practices in assessing government performance plans and reports. As a result of this reorganization, we will provide legislators with improved information, assurances and advice.

I look forward to the opportunity to provide legislators with reports on our sector work. I know such reports will be particularly useful when, or if, legislators move to sector standing committees.

I have initiated work on our first report on the role and mandate of a Commissioner for Environment and Sustainability. This report should be ready this April.

I have also confirmed my support for a renewed mandate for my Office through needed revisions to the Auditor General Act. In November, I provided all legislators with the proposed revisions and I have discussed the proposals with members of the Select Standing Committee on Public Accounts, several other elected and appointed officials, as well as an external advisory group to my Office.

Later this month, I will provide legislators with an updated proposal for a new Auditor General Act. This proposal will include the changes suggested during my recent series of meetings.

I have also renewed the overall strategic thinking of my Office. Our focus is on how to ensure legislators receive the best information possible for assessing the performance of government. In the Appendix to this Report, I set out a summary of our strategic direction in terms of our goals, objectives and key strategies, as well as our mission, vision, risks, values and performance indicators.

## Reshaping Priorities

For many years, my predecessor urged government to change its management and accountability practices. He advocated a complete government planning and reporting framework, results-focused performance management and reporting, and a more active system of legislative standing committees.

Enacting the Budget Transparency and Accountability Act sets the stage to meet the changes sought by my predecessor.

With this Act in place, I now have the opportunity to reshape the priorities of my Office. Much work needs to be done to ensure the promises set out in this legislation are realized and to meet increased public demands and expectations.

In the next three years, I plan to focus on the following four priorities:

1. Complete financial plans and reports by government,
2. Strong management by government of accountability and risk within the health and education sectors,
3. Strong management by government of accountability and risk for large capital projects and complex information systems, and
4. Results-focused performance reporting by government.

In reshaping our work priorities, I recognize the need to continue to perform our ongoing and important work responsibilities including reporting on the reliability of the financial statements of the government and a considerable number of government organizations. The Budget Transparency and Accountability Act includes a requirement to issue audited financial statements by June 30<sup>th</sup> of each year. Meeting this new and more timely deadline is a significant challenge for my Office.

## 1. Complete financial plans and reports by government

By enacting the Budget Transparency and Accountability Act, legislators expect to receive from government a complete financial plan and report that is based on the "whole of government" approach to management and accountability.

Each year, the government's financial plan must report on the planned revenues and expenses of the full responsibilities of the entire government including government ministries, Crown agencies and corporations, as well as the many health and education institutions.

My first priority is to ensure legislators know whether this new requirement is being met. During each of the next three years, I plan to assess and report on whether the government's planned results as set out in the annual budget or estimates of revenue and expense includes the full nature and extent of government responsibilities.

Each year, I plan to assess and report on whether the government has provided a complete accounting of financial results and has provided adequate information on trends for key financial indicators.

The information contained in a government's financial statements, although essential, does not provide a complete picture of the province's financial condition. To complete this picture, information from the traditional audited statements needs to be supplemented with other economic indicators. The Canadian Institute of Chartered Accountants provides important guidance on which indicators should be reported and monitored annually.

In addition, I have asked my staff to explore two new initiatives with government officials. These initiatives include the benefits of preparing and using financial statements for each ministry or sector of government, and the benefits of our assurances to legislators on the reliability of the government's quarterly financial reports. Such statements and assurances would lead to stronger financial management and accountability practices.

2. Strong management by government of accountability and risk within the health and education sectors

A very substantial portion of the public money entrusted to government goes to our systems of health and education. The demand for money for these sectors seems almost limitless.

At the same time, legislators and the public continue to express concern about whether the resources now spent within these sectors are well-managed and whether appropriate accountability information is being provided by those responsible for managing these sectors. Demand for better performance information and audit assurance has become a national issue.

My second priority is to examine the management and accountability practices of the many institutions delivering health and education programs and services. During the next three years, I plan to provide legislators with assurances and advice on whether:

- Financial statements accurately depict revenues and expenses in an understandable manner,
- Basic financial management control practices are sound, and
- Governing bodies, ministries and legislators receive meaningful performance information.

Initially, my emphasis will be to assess the adequacy of financial management and accountability. These assessments will require strong working relationships with many public accounting firms now involved in auditing in the health and education sectors. My Office will be developing this relationship to ensure that work of these auditors, combined with the work undertaken by my Office in these sectors, provide the audit information, assurances and advice necessary to meet the needs and interests of legislators.

During the next three years, I also plan to develop the capacity for and then to examine more complex program management and accountability risks. Within the health sector, such risks include:

- The provision of diagnostic services including wait list management,
- The matching of demand and supply for long-term care,
- The short- and long-term availability of health care professionals, and
- The security of personal health information.

In the health sector, we are now completing work on a project that examines the adequacy of the performance information used by government when making its resource allocation decisions. Our preliminary findings indicate improvement is needed. We will report on our work this summer.

Within the education sector, key program management and accountability risks include:

- The changing needs and expectations of communities,
- The information used when making funding allocations,
- The use of our valuable education infrastructures and technologies,
- The short- and long-term availability of education professionals, and
- The provision of a safe learning environment.

My work priorities for these two sectors focus on the management and accountability risks faced by these institutions in delivering programs and services directly to the public. Those institutions include authorities, councils and societies in the health sector and school boards, regional colleges and universities in the education sector.

Legislators face particularly difficult governance challenges assessing the performance of government when programs and services are delivered through such institutions. Performance information and audit assurances for these institutions provide the basis for understanding the performance of the overall sector. Legislators need additional risk management and accountability information to fulfill their responsibilities. Such information and assurances will be particularly important when, or if, legislators move to sector standing committees.

### 3. Strong management by government of accountability and risk for large capital projects and complex information systems

Government has invested huge sums of public money building large capital infrastructures such as buildings and transportation systems and creating complex information systems. Significant sums of public money are also spent maintaining these infrastructures and systems. Legislators and the public continue to express concern about whether these projects are well-managed.

My third priority is to examine the government's control and risk management practices pertaining to large capital infrastructures and complex information systems.

Initially, I plan to focus on infrastructure projects undertaken within the health, education and transportation sectors. I also plan to examine security of existing government information systems and the development of new information systems as they arise.

Carrying out examinations at an early stage in project development is crucial. Legislators and government officials need independent assurance and advice when making decisions so plans can proceed with more confidence and so corrective action can take place when required.

During the next three years, developing the capacity to provide such assurance and advice in a timely manner will be a particularly difficult challenge for my Office.

#### 4. Results-focused performance reporting by government

Legislators have signalled through the Budget Transparency and Accountability Act they expect results-focused performance reporting by government. Much work will be required by many, including my Office, to make this important initiative a reality.

Sound performance information contributes to strong management and accountability practices and to improved governance through a meaningful discussion of plans, priorities and alternatives.

My fourth priority is to support this important initiative. In the next three years, I plan to:

- Provide advice to government on the guidelines it establishes for preparing sound performance plans and reports,
- Assess government performance plans and reports,
- Encourage government and legislators to embrace results-focused performance management and accountability practices, and
- Help legislators use results-focused performance information.

In addition, I plan to discuss with legislators and government officials their needs for audit assurance on the appropriateness and reliability of the information

included in government performance plans and reports. Such assurances will contribute significantly to a successful transition to a results-focused system of government.

### New initiative by government – A Commissioner for Environment and Sustainability

Recently, the government asked me to appoint and oversee the establishment of a Commissioner for Environment and Sustainability. The Commissioner will work within my Office and report directly to legislators.

The Commissioner is to report on:

- The state of the province's ecological health,
- The performance of government against publicly-stated sustainability commitments, and
- Other sustainability matters as he or she believes necessary.

During the next three years, I will ensure a successful start for the role and work of the Commissioner.

### Funding Required

For many years, my predecessor advised legislators the Office of the Auditor General requires increased funding. In his 2000–2001 corporate plan, he stated over \$1 million was needed immediately and legislators were at significant risk because they were not being provided with the information and assurances required to discharge their governance responsibilities.

As the new Auditor General, based on my knowledge and experience, I share my predecessor's concerns.

Legislators must recognize there are now more government organizations, delivering a wider array of programs and services, costing increasingly more public money. In addition, there is more government debt which increases the pressure on revenue-raising and spending decisions.

Significant changes have taken place within our system of government. The complexity of government has increased, new ways of delivering programs and services are used, and the pressure on government finances has intensified. In addition, management control has weakened with the need to do more with less and move decision making closer to those providing and receiving services.

These trends increase public demands on legislators to ensure government is well managed and accountable. This is a challenging governance responsibility. I believe the future holds even more challenges.

Enacting the Budget Transparency and Accountability Act provides legislators with a significant opportunity to strengthen the performance information provided by government and the audit assurances provided by my Office.

My Office is one key mechanism legislators have put in place to help them carry out their governance responsibility. Legislators look to my Office for independent and credible information, assurances and advice about government management and accountability practices. However, my Office has been unable to provide legislators with the assessments and assurances required to hold government to account.

In reshaping the priorities of my Office to better assist legislators, I recognize increased funding support will be required in each of the next three years.

In 2001-02, I ask legislators to support an increase of \$1.3 million to the appropriation provided to my Office (from \$6.645 million to \$7.945 million).

In each of 2002-03 and 2003-04, I will be seeking additional funding. The amount of that additional funding will be determined based on the needs of legislators for my assurances on the government performance reports required by the Budget Transparency and Accountability Act, and the extent to which public accounting firms are able to support the work of my Office in the health and education sectors and how such work is to be funded.

My request does not include the funds required for the Commissioner for Environment and Sustainability. The government has indicated it plans to allocate \$0.900 million for the operation of the Commissioner for the 2001-02 fiscal year.

I also ask legislators to approve an increase of 15 persons to the overall staffing authorized for my Office. This does not include the staffing required for the Commissioner. The government has indicated it plans to provide the equivalent of 7.5 FTEs for the work of the Commissioner.

## Recommendation

I ask Members of the Legislative Assembly to support my request for increased funding for the Office of the Auditor General.

## Funding for the Auditor General

|                                       | \$ millions |         |         |         |         |          |          |
|---------------------------------------|-------------|---------|---------|---------|---------|----------|----------|
|                                       | 1997-98     | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03* | 2003-04* |
| Appropriation                         |             |         |         |         |         |          |          |
| Appropriation                         | 6.875       | 6.923   | 6.923   | 6.645   | 7.945   | 7.945    | 7.945    |
| Recoveries                            | 1.017       | 1.398   | 1.505   | 1.710   | 1.500   | 1.600    | 1.700    |
|                                       | 7.892       | 8.321   | 8.428   | 8.355   | 9.445   | 9.545    | 9.645    |
| Expense                               | 7.840       | 8.023   | 8.178   | 8.255   | 9.445   | 9.545    | 9.645    |
| Returned to Consolidated Revenue Fund | 0.052       | 0.298   | 0.250   | 0.100   | -       | -        | -        |

\* In each of 2002-03 and 2003-04, I will be seeking additional funding. The amount of that additional funding will be determined based on the needs of legislators for my assurances on the government performance reports required by the Budget Transparency and Accountability Act, and the extent to which public accounting firms are able to support the work of my Office in the health and education sectors and how such work is to be funded.

## Funding for the Commissioner for Environment and Sustainability

|               | \$ millions |         |         |         |
|---------------|-------------|---------|---------|---------|
|               | 2000-01     | 2001-02 | 2002-03 | 2003-04 |
| Appropriation | 0.180       | 0.900   | 0.900   | 0.900   |
| Expense       | 0.180       | 0.900   | 0.900   | 0.900   |





Appendix 1  
Summary Strategic Direction  
2001-2004



## Appendix 1: Summary Strategic Direction

### Mandate, Mission and Vision

#### Our mandate

The Auditor General of British Columbia functions within the legal framework established by the Auditor General Act. The Act sets out the authority, powers and duties of the Auditor General.

#### Our mission

To serve the Legislative Assembly and the people of British Columbia by providing independent assessments and advice that enhance government accountability and performance.

#### Our vision

Making a difference for the people of British Columbia by contributing to accountable and well-performing government.

### Goals, Objectives and Key Strategies

Goal 1 – The Legislative Assembly and the public receive the best information possible for assessing the performance of government

#### *Our objectives*

Legislators and the public receive relevant, reliable and understandable information on:

- the planned and actual results of government, and
- the key risks faced by government in achieving its planned results.

#### *Our key strategies*

Our key strategies pertaining to our first goal are:

- Report on the reliability of government financial statements,
- Examine the quality of government performance plans and reports,
- Assess how government manages its key risks, and
- Support legislators in using government performance information.

## Goal 2- We become an exemplary organization serving the Legislative Assembly and the public

### *Our objectives*

Legislators and the public support our work and role,  
Our performance improves continuously, and  
Our audit approach and reports reflect best practices.

### *Our key strategies*

Our key strategies pertaining to our second goal are:

- Obtain support for the necessary mandate, resources and independence,
- Report on our performance using best practices,
- Use our resources effectively,
- Maintain our capacity to use information technology, and
- Maintain a good working environment.

### *Our key risks*

We must manage well our risks to succeed in achieving our goals and objectives. If managed well, our risks can represent opportunities for highly relevant and reliable work. We face four key risks.

1. **Independence** – we will not be successful if we lose or are perceived to lose our independence
2. **Credibility** – we will not be successful if we provide inappropriate or incorrect assurance and advice
3. **Relevance** – we will not be successful if we do not adequately understand or respond to the information needs of our key stakeholders
4. **Resources and competencies** – we will not be successful if we do not have the required competencies and resources

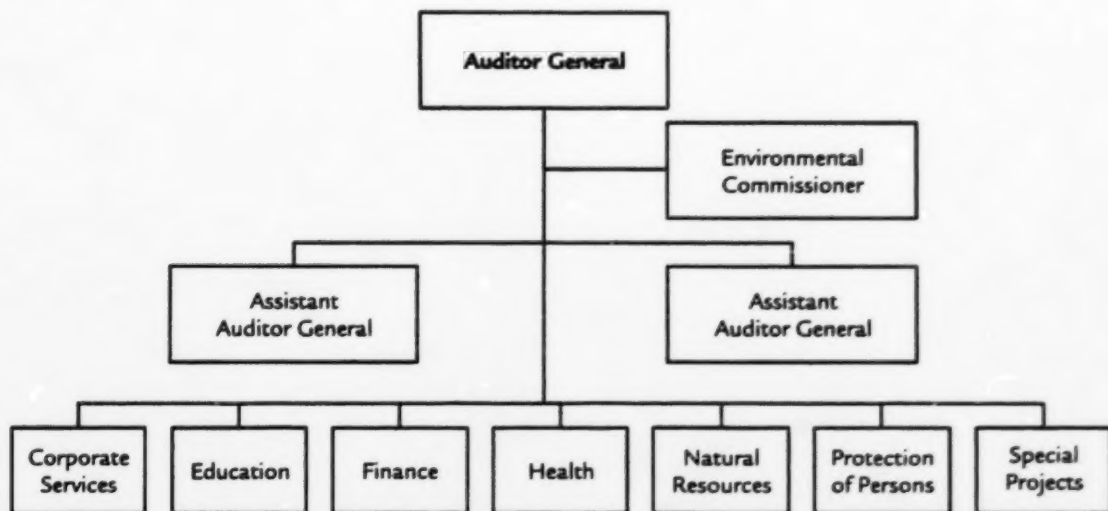
Our work plan for the next three years sets out the actions we will take to manage these risks.

Our call for a renewed mandate, including proposed revisions to the Auditor General Act is key to strengthening our **independence**. With our new sector organization, we are now reassessing how best to ensure our **credibility** through internal quality control and assurance including a new system of peer review.

Our work plan includes a stronger program of interaction with legislators. This program includes strengthening our **relevance** by emphasizing the importance of result-focused performance information from government and by moving to a sector approach to our work and reports. Such an emphasis and approach will be particularly useful to legislators as they move to a stronger system of legislative committees.

Our work plan includes proposals for additional **resources** and for a stronger **competencies**-based human resource management. In addition, we plan stronger training and development programs as well as new recruitment and retention strategies.

### Organization, values and performance



#### Values

Our values are the fundamental beliefs we hold regardless of circumstances.

#### We are Committed to Excellence

We strive to meet the highest standards of service, professionalism, integrity and independence.

We are committed to being efficient and effective in our operations, and to promoting creativity, innovation and responsible risk-taking in our work.

We seek to maintain a relationship of mutual respect and trust with those we serve, and willingly share our experience and expertise.

#### *We are Committed to People*

We value the unique contribution and talents each individual adds to our Office and community.

We strive to manage on the basis of fairness, equity, honesty, mutual respect, trust and personal dignity. As our success is dependent on working together, we promote a spirit of cooperation and teamwork throughout our organization.

We are committed to the concept of personal and professional development and support quality-of-life endeavours.

#### *Our performance*

The performance indicators we plan to monitor include:

1. The extent to which legislators view our information, assurances and advice as relevant and credible,
2. The extent to which legislators endorse our recommendations and our recommendations are acted on by government,
3. The extent to which government publishes quality performance plans and reports,
4. The extent to which our work is completed by established deadlines and within planned costs,
5. The extent to which our working environment improves, and
6. The extent to which legislators support our funding requests

We are now developing performance targets and systems of gathering the necessary information for each of these performance indicators. In addition, we are working with our colleagues across Canada and elsewhere to ensure relevant benchmarking and analysis is a regular feature of our performance management and reporting.

